Senate

General Assembly

File No. 429

February Session, 2014

Substitute Senate Bill No. 419

Senate, April 8, 2014

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING HOSPITAL AND WELLNESS ENTERPRISE ZONES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective October 1, 2014*) (a) Notwithstanding the provisions of section 32-70 of the general statutes, any municipality may, with the approval of the Commissioner of Economic and Community Development, designate an area surrounding a hospital within such municipality as a hospital and wellness enterprise zone. Any such area shall consist of (1) one or two contiguous United States census tracts, (2) contiguous portions of such census tracts, or (3) a portion of an individual census tract, as determined in accordance with the most recent federal decennial census and, if such area is covered by zoning, a portion of it shall be zoned to allow commercial or industrial activity.

(b) Any municipality seeking the approval of the commissioner for such designation shall file with the commissioner a preliminary application. Not later than sixty days after receipt of such preliminary application, the commissioner shall indicate to the municipality, in writing, any recommendation for improving such municipality's application. Not later than sixty days after receipt of the commissioner's written recommendation, the municipality shall file a final application with the commissioner. Any application filed pursuant to this subsection shall include, but not be limited to: (1) The geographic scope of the proposed hospital and wellness enterprise zone, including designation of all census blocks that such municipality proposes incorporating into such zone, (2) the economic development benefits anticipated from the establishment of such zone, including the nature of business and industry that will be developed and the anticipated number of jobs created, and (3) the anticipated lost revenue to the state and municipality as a result of establishing such zone.

(c) The commissioner may modify the geographic scope of any proposed hospital and wellness enterprise zone to improve the balance between the anticipated economic benefit and the cost to the state and affected municipality.

(d) The commissioner may approve the designation of not more than two areas as hospital and wellness enterprise zones. The commissioner may remove the designation of any area approved as a hospital and wellness enterprise zone if such area no longer meets the requirements of subsection (a) of this section, provided no such designation shall be removed less than six years after the date that such area no longer meets such requirements.

(e) Businesses located within a hospital and wellness enterprise zone shall be entitled to the same benefits, subject to the same conditions, under the general statutes for which businesses located in an enterprise zone qualify.

(f) The commissioner may adopt regulations, in accordance with the provisions of chapter 54 of the general statutes, to carry out the purposes of this section.

(g) On or before October 1, 2020, the commissioner shall report, in accordance with section 11-4a of the general statutes, to the joint standing committee of the General Assembly having cognizance of matters relating to commerce. Such report shall include, but not be limited to, (1) the performance of any hospital and wellness enterprise zone established pursuant to this section, (2) whether any such zone should retain its designation as a hospital and wellness enterprise zone, and (3) any recommendations for legislative changes regarding the program established pursuant to this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2014*	New section

CE *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 15 $	FY 16 $
Department of Revenue Services	GF - Potential Revenue Loss	150,000 - 300,000	200,000 - 400,000

Municipal Impact:

Municipalities	Effect	FY 15 $	FY 16 $
Various Municipalities	Grand List Reduction – Net Revenue Loss	None	Potential

Explanation

The bill allows the Department of Economic and Community Development to approve up to two municipal applications for the designation of a "hospital and wellness enterprise zone." This is expected to result in a potential revenue loss of $150,000 - $300,000 in FY 15. The annual potential revenue loss is $200,000 - $400,000 for each fiscal year thereafter. This estimate (1) assumes that a qualifying corporation would exist within the designated enterprise zone in each municipality and (2) is based on the average revenue loss per existing enterprise zone over the past five income years.

The revenue loss could be off-set by additional tax revenue from the creation of new or the expansion of existing businesses to the extent that these financial incentives result in economic development that otherwise would not have occurred.

There is a potential grand list reduction to the selected municipalities due to multiple five-year property tax breaks for which certain businesses located in enterprise zones are eligible. Such businesses are eligible for property tax reductions of between 40% and 80%, depending on the type of business, and type of investment undertaken. This potential grand list reduction results in a revenue loss, given a constant mill rate. Due to the timing of grand list assessments, any revenue loss would first occur in FY 16.

Any revenue loss to the selected municipalities resulting from these exemptions is partially offset by the Distressed Municipalities grant program, which reimburses municipalities for 50% of the tax loss resulting from these exemptions, for a five-year period. As the grant is prorated, any increase in grant payments to one town may decrease grant payments to other towns.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis
sSB 419

AN ACT CONCERNING HOSPITAL AND WELLNESS ENTERPRISE ZONES.

SUMMARY:

This bill establishes up to two "hospital and wellness enterprise zones" by allowing the Department of Economic and Community Development (DECD) commissioner to approve up to two municipal applications designating an area surrounding a hospital as such a zone. Unlike traditional enterprise zones, a hospital and wellness enterprise zone does not need to meet poverty or unemployment criteria. The bill allows businesses located within the zone to receive the same benefits as those in existing enterprise zones (see BACKGROUND).

Under the bill, hospital and wellness enterprise zones, like existing enterprise zones, must consist of (1) one or two contiguous census tracts, (2) contiguous portions of such tracts, or (3) a portion of an individual census tract, according to the most recent census. If the designated zone is covered by zoning, a portion must be zoned for commercial or industrial activity.

The DECD commissioner may (1) adopt regulations to designate areas as hospital and wellness enterprise zones, (2) modify a zone's geographic area to improve the balance between the anticipated economic benefits and the state's and municipality's costs, and (3) remove a zone's designation after six years, if it no longer meets the criteria. She must also report on established zones to the Commerce Committee by October 1, 2020. The report must include (1) hospital and wellness enterprise zones' performance, (2) whether they should retain their designation, and (3) any recommendations for legislative changes to the program.

EFFECTIVE DATE: October 1, 2014

APPLICATION PROCESS

The bill requires any municipality seeking to designate an area as a hospital and wellness enterprise zone to file a preliminary application with the DECD commissioner. Within 60 days of receiving the preliminary application, DECD must provide written recommendations for improving the application. The municipality must submit its final application within 60 days of receiving DECD's recommendations.

Applications must include the:

1. geographic scope of the proposed zone, including designating all census blocks the municipality plans to incorporate into the zone;
2. economic development benefits anticipated from establishing the zone, including the nature of the businesses and industries that will be developed and anticipated number of jobs created; and
3. anticipated revenue loss to the state and municipality from establishing a zone.

BACKGROUND

Enterprise Zones

Connecticut's enterprise zone incentives are currently available in 17 state-approved zones, which are economically distressed areas no larger than two contiguous census tracts. Generally, municipalities must be considered "distressed municipalities" to designate an area as an enterprise zone, and the area they choose to designate must meet certain poverty or unemployment criteria.

The enterprise zone program mainly targets manufacturers and certain types of retail and service businesses (e.g., financial, business, and health services) that construct, expand, or rehabilitate facilities in the zones, thereby expanding local property tax bases, revitalizing run-down areas, and creating jobs.

Benefits given to businesses in enterprise zones include:

1. property and real estate conveyance tax exemptions and corporation business tax credits mainly for developing facilities, with the state reimbursing municipalities for a portion of the revenue loss from the property tax exemption (CGS §§ 12-81, 12-498, & 12-217e); and

2. a 10-year corporation business tax credit for any newly formed corporations locating in the zones (CGS § 12-271v).

The 17 enterprise zones are located in Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Waterbury, and Windham.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute
Yea 18 Nay 0 03/25/14